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No. 82-2066

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1982

BIRMINGHAM TRUST NATIONAL BANK,
Petitioner,

vs.

VISA, U.S.A., INC.,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

The sole question presented is: Was the Court of Appeals for the Federal Circuit correct in holding that the assignment and transfer by Alpha Beta Company to Visa U.S.A. Inc., Respondent, "was not an assignment in gross, but was . . . a transfer of the mark and the goodwill to which the mark pertained".

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PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

Visa U.S.A., Inc. is a non-stock membership corporation consisting of approximately 13,400 banks and other financial institutions, although no one of these banks or other financial institutions has such a substantial interest as to be an interested party. Moreover, visa U.S.A., Inc. is itself a member of Visa International Service Association, a non-stock membership corporation consisting of approximately 14,300 banks, groups of banks, and other financial institutions worldwide.

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STATEMENT OF THE CASE

The Court below (CAFC) correctly decided that a trademark may be transferred only with the goodwill to which it is attached, and rejected "the Board's determination that the assignment in this case was invalid because there was no transfer of the goodwill to which the mark pertained". (Appendix p. A-8). It found that both transferor (Alpha Beta) and transferee (VISA) used the mark on "the same basic service, namely providing a means by which the holders of the card could make purchases by check upon showing the card." (Appendix p. A-8-9). "The function the cards performed did not change when Alpha Beta assigned the mark and its related goodwill to Visa." (Appendix p. A-9).

The CAFC concluded its analysis: "In sum, Alpha Beta's assignment of the mark was not an assignment in gross, but was transfer of the check cashing service of Alpha Beta's business, i.e., a transfer of the mark and the goodwill to which the mark pertained". (Appendix p. A-10).

Petitioner does not challenge any of the findings of fact in the analysis by the CAFC, but draws inferences that simply are not supportable. Petitioner stipulated to the facts presented to the Patent and Trademark Office as summarized in the opinion below. One *cannot* infer that the CAFC "essentially held" (Petition p. 9) that form prevails over substance. Nor can one infer that "[t]he Court *in essence* held that trademark rights exist separate and apart from a business" (Petition p. 9, emphasis present). To the contrary, the CAFC held that trademark rights "are integral and inseparable" (Appendix p. A-6, 7). The argument of Petitioner is without substance.

The question posed in the Petition (page i) suggests that mere "priority" was sold, apart from the goodwill in the mark. In fact, the agreement recites the transfer of "all rights, title and interest in and to the said mark, all variations thereof, together with the goodwill of the business symbolized by the mark." This language encompasses both tangible and intangible assets, so the CAFC could not have required something less than a complete transfer of assets as stated in the Petition (p. 9).

Likewise, the question posed in the Petition is in error in saying "the transferee renders a different service". The facts of record support the finding that "the basic service offered by the assignor is offered by the assignee" (Appendix p. A-10).

In casting about for a federal question to present in its Petition, Section III quotes 15 U.S.C. § 1060. However, that statute, by its terms, requires either a federal trademark registration or an application. Here there is neither, since Alpha Beta never applied for federal protection of the mark. Rather, Alpha Beta chose the alternate state trademark protection route under California law. See *The Trademark Cases,* 100 U.S. 82 (1879). Alpha Beta registered the mark in California, and assigned the California registration under California Business and Professions Code § 14260, the controlling statute.

Consequently, there is no "great need for this Court to settle authoritatively" any federal statutory question (Petition p. 13). No recordation of the transfer of a federal registration was needed or even possible, since only a state registration existed. No federal statute or federal right is involved.

REASONS WHY THE WRIT SHOULD BE DENIED

1. There is no federal question

The assignment question must be determined under state law, not federal. The California state law is not in conflict with federal law. It is a straight-forward recordation statute that protects subsequent purchasers if a deed of assignment has not been recorded, just as deeds to real property have been recorded with governmental authorities for centuries.

The purchase and sale of property rights, whether real, personal, or intangible, and the recordation of those transfers represent such a common-place transaction that it need not burden this Court. Certainly, this transaction presents no federal question.

2. There is no conflict between Circuits

In this case, we have one of the first decisions of the CAFC. That court was created, in part, to do away with conflicts between geographically separated circuits. Limitation of subject matter jurisdiction, rather than geography, was intended to give consistency in those specialized areas assigned to the new court, including trademarks.

Petitioner admits (p. 9) that the CAFC "correctly recognized the essential principles of trademark law that trademarks are not separate property rights, trademarks are integral and inseparable elements of the goodwill of the business or services to which they pertain and a trademark may be transferred only in connection with the transfer of the goodwill of which it is a part". That ends the inquiry. There is no conflict with other decisions on the law.

The CAFC below held that "a valid transfer of a mark . . . does not require the transfer of any physical or tangible assets." (Appendix p. A-7). Petitioner fails to show that this holding is erroneous, but simply makes the bald assertion that it is *"in essence"* a holding "that the trademark rights exist separate and apart from a business" (Pet. p. 9, emphasis present). A going business is not tangible or physical assets, but the operation of them in a profitable manner. Nothing in the record supports a sug-

gestion that the transferor did not have a going business. Indeed, Petitioner complains that the going business of Alpha Beta continued after the assignment (Pet. p. 5). Consequently, all of the cases relating to a transfer "independently of a going concern or business" are not applicable (Pet. p. 11).

Petitioner argues (Pet. p. 11): "One of the decisions which cannot be reconciled with the decision below is that of the Eighth Circuit Court of Appeals in" *Pepsico, Inc. v. Grapette Co.*, 416 F.2d 285 (8th Cir. 1969). The court below did not cite that case relying instead upon *The Money Store v. Harriscorp Finance Inc.*, 689 F.2d 666 (7th Cir. 1982). The more recent Seventh Circuit case thoroughly analyzes all of the relevant cases on trademark assignments, including *Grapette*, and found them reconcilable.

Petitioner had the opportunity to *avoid* the nation-wide uniformity of the CAFC in cases within its limited jurisdiction. It could have opted for review of these administrative proceedings in the Patent and Trademark Office by a district court in Alabama, rather than the CAFC (*Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403 (1916) (Pet. p. 10). All Petitioner had to do was file a "notice with the Commissioner" under 15 U.S.C. 1071(b), and a decision by the CAFC would have been avoided.

Petitioner elected not to file such a notice, and acquiesced in review by the new CAFC with nation-wide jurisdiction. Having made its election to stay with the CAFC, Petitioner should not now be heard to cry "conflict between circuits" and at the same time admit the CAFC correctly analyzed the law.

3. There is no evidence of fraud

The administrative proceedings which were reviewed by the CAFC were tried by affidavits and documents. There was no testimony of any witness by deposition or in any other way. The Court below termed the contractual relationship between Alpha Beta and Visa an "apparently well-settled commercial practice" (Appendix p. A-11). From this record, there is nothing to suggest "confusion and deception" (Petition p. 14) arising from the transfer. On the contrary, the CAFC specifically found that "(n)either the Board nor Birmingham Trust has demonstrated that users of the Visa 'Check-O.K.' card would be confused or misled about the source, character, or nature of the services they would receive under the card." (Appendix p. A-10).

The hypothetical testimony at pages 15-17 of the Petition never took place, and cannot be inferred from the record. It is totally speculation. Respondent did *not* say, "We're not really interested in your mark". (Pet. p. 15). In fact, the very mark of Alpha Beta is the subject matter of the trademark application filed by Respondent, leading to this dispute. If Respondent were not interested in the mark, would it file an application to register it, claiming ownership?

No one said, "You're not really going to have to sell us any goodwill or anything else." (Pet. p. 16). On the contrary, all the record shows is a contract expressly selling the goodwill and "all rights" (Appendix p. A-4). Many years after this arm's length transaction, Petitioner, a non-party to the contract, tried to prove it fraudulent.

No one said, "We are doing everything possible to keep your mark separate from ours . . ." (Pet. p. 16). On the contrary, Petitioner filed an Opposition in the U. S. Patent and Trademark Office to the application of Respondent for "O.K." for "check-cashing privileges by means of a card". (Appendix p. A-2). The specimen illustrating how the mark was used was the Alpha Beta card. Respondent did not do "everything possible" to separate its mark from Alpha Beta's; it claimed to own the *identical* mark. The Petitioner's hypothetical testimony is dead wrong on the facts.

No one said, "You won't really sell your goodwill . . ." (Pet. p. 16). On the contrary, Alpha Beta thought it sold "the mark and the goodwill symbolized thereby" (Appendix p. A-4), Respondent thought it bought it, and the agreement says so. There is no evidence that the sale did not take place.

Petitioner's hypothetical testimony is tantamount to a charge of fraud. Had the testimony occurred, it would evidence an attempt to defraud the public as to the source of check approval services. No such evidence exists, and Petitioner makes no claim that it does. Charges of fraud and deception require strict proof and will not be lightly accepted. "Fraud is of course not presumed, but must be clearly established and the burden is on the person claiming it to overcome the natural presumption of fair dealing and honesty." 5 Am. Jur. *Proof of Facts* "Fraud", p. 365.

CONCLUSION

The wild speculation about what might be a "possibility" in some future case "[a]s a consequence of the Court's decision" below (Pet. p. 15), is not a basis for granting certiorari in this case. The present case was decided by the Court of Appeals for the Federal Circuit (and adhered to on reconsideration) on a point of trademark law within its special expertise and jurisdiction. The Petition should be denied.

Respectfully submitted,

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